



Florida Department of TRANSPORTATION

Office of Inspector General
Robert E. Clift, Inspector General

A handwritten signature in blue ink that reads "Robert E. Clift".

Audit Report No. 16I-6001
Fringe Benefit and Employee Leave Rates for FY 2015-2016

September 30, 2015

EXECUTIVE SUMMARY

As part of the Office of Inspector General's (OIG) annual audit plan, and at the request of the Office of Comptroller (OOC), the OIG conducted an examination of the Florida Department of Transportation's (department) fringe benefit and employee leave rate schedules for state fiscal year 2015-2016. These rates, to be applied in fiscal year 2015-2016, are based on actual costs incurred in fiscal year 2014-2015, and allocated in accordance with Title 2, Part 225, Code of Federal Regulations (C.F.R.), Cost Principles for State, Local, and Indian Tribal Governments.¹ We conducted this audit in accordance with the partnership agreement with the Federal Highway Administration (FHWA).

Rates proposed by the OOC and examined by the OIG are:

Employee Fringe Benefit Rate	67.46%
Employee Leave Rate	18.02%

Based on our examination of fringe benefit and employee leave rate schedules, **we determined** the rates are based on actual amounts and correctly calculated. We recommend the OOC submit these rates to the FHWA for approval.

¹ Auditors referenced year 2015 version.

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RESULTS OF EXAMINATION

A significant amount of department expenditures are for federally funded highway construction projects. FHWA uses the prescribed policies and procedures outlined in 2 C.F.R. 225 for reimbursing state highway agencies for allowable administrative and overhead costs. Annually, the OOC develops and proposes rate schedules in accordance with 2 C.F.R. 225.

Rates to be applied in state fiscal year 2015-2016 are based on actual costs incurred in fiscal year 2014-2015. Rates proposed by the OOC and examined by the OIG are:

Employee Fringe Benefit Rate	67.46%
Employee Leave Rate	18.02%

Our examination concluded the fringe benefit and employee leave rate schedules were:

- developed in accordance with 2 C.F.R. 225;
- developed using the methodology established in the OOC's Fringe Benefit and Employee Leave Rate Development Handbook;
- based on actual amounts; and
- correctly calculated.

Our examination also disclosed the control process for calculating the rates is adequate and reliable.

Based on our examination, we recommend the OOC submit these rates to the FHWA for approval.

APPENDIX A – Purpose, Scope, and Methodology

Section 20.055, Florida Statutes,² requires the OIG to conduct audits, examinations, investigations, and management reviews related to programs and operations of the department. This examination was performed as part of the OIG’s mission to promote integrity, accountability, and process improvement in the department by providing objective fact-based assessments.

The **purpose** of this examination was to determine whether the fringe benefit and employee leave rate schedules were:

- developed in accordance with 2 C.F.R. 225;
- developed using the methodology established in the OOC’s Fringe Benefit and Employee Leave Rate Development Handbook; and
- based on actual amounts and correctly calculated.

The purpose also included determining if the control process for calculating the rate is adequate and reliable.

The **scope** of the examination covered fiscal year 2014-2015 financial information associated with the development of fringe benefit rates to be applied in fiscal year 2015-2016.

The **methodology** included procedures to verify the cost information used to calculate the fringe benefit and employee leave rate schedules were accurate. This included:

- reconciling salary costs, benefit costs, and leave costs to the department’s Closing Trial Balance;
- verifying the over-distributed or under-distributed accumulated costs for the preceding accounting period;
- verifying the accuracy of the proposed schedules;
- verifying the fringe benefit and employee leave rates were correctly calculated; and
- evaluating the control process for developing the rate schedules.

² Auditors referenced year 2015 version.

APPENDIX B – Management Response

The draft report was electronically disseminated on September 29, 2015. On September 30, 2015, a response was received from Lisa Evans, Deputy Comptroller, stating the Office of the Comptroller had no additional comments.

**Office of Inspector General
Florida Department of Transportation**

DISTRIBUTION, PROJECT TEAM, AND STATEMENT OF ACCORDANCE

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Project Team:

Engagement was conducted by Melynda Childree, Audit Team Leader
and Kim Rolfe, Auditor

Under the supervision of:

Intermodal Audit Manager; and
Kristofer B. Sullivan, Director of Audit

Approved by: Robert E. Clift, Inspector General

Statement of Accordance

*The mission of the department is
to provide a safe transportation system that ensures the mobility of people and goods,
enhances economic prosperity, and preserves the quality of our environment and communities.*

*The mission of the Office of Inspector General is
to promote integrity, accountability, and process improvement in the Department of
Transportation by providing objective fact-based assessments to the DOT team.*

This work product was prepared pursuant to Section 20.055, Florida Statutes, in accordance with the applicable Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General, and the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors, Inc.

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